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Transport Round-table

TRANSPORT AND DEVELOPMENT

Issues Note

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I. TRANSPORT AND DEVELOPMENT OF LDCs

No development without transport

1. Transport is central to development. Transport is a key sector for international trade, for regional integration and for ensuring a balanced national development. Transport provides physical access to marketplaces, without which trade could not take place. Indeed, rural development programmes face failure if goods can not be conveyed to markets because of lack of transport infrastructure and services. There is a cause and effect relationship between the availability of adequate transport services, the access thereto and the scope for trade based development processes. Excessive transport costs create the major effective barrier to foreign markets. Trade success or failure of least developed countries (LDCs) trading low-value goods, with little potential for differentiation but considerable risk of substitution, is largely determined by transport availability and cost. The share of freight cost in import values can serve as an indication of the impact of transport cost on the ability of countries to effectively participate in global trade. Landlocked LDCs face freight costs of up to 40 per cent of import value compared to the world average of 6 per cent. In 1999, total freight payments for LDC imports were estimated at US$ 5.0 billion for a total c.i.f. import volume of US$ 27.5 billion.

Globalization

2. Globalization requires the existence of a functioning international transport system. Marginalization of least developed countries is not only a reflection of their feeble industrial base, but is also aggravated by problems associated with access to adequate international transport and support services. For manufactured goods, reliability and speed of transport can become more important than transport cost. Consequently, problems relating to the access to and provision of international transport services must be addressed and form an integral part of the international support measures enabling LDCs' trade and industry to participate more effectively in the globalization processes. As the scope for compensating transport cost disadvantages by preferential tariff treatment is gradually eroding, excessive transport costs directly and adversely affect the competitive position of LDCs in foreign markets. This contributes to the marginalization of those LDCs detached from the mainstream of shipping and transport developments.

Foreign Direct Investment

3. The existence of a functioning transport system is not only a prerequisite for trade to take place, but equally for foreign direct investment to be channeled to a specific country. Some of the main economic factors for selecting a host country for FDI are physical infrastructure (ports, road, telecommunications, power) and the availability of reliable and efficient transport and communication services. For LDCs, inward flows of FDI stood at only US$ 2.9 billion or 0.3 per cent of world flows in 1998. Many Governments are realizing that by making their transport sector more productive they can become more competitive in the global market, as well as increase their attractiveness as a recipient of FDI.

Electronic commerce

4. The emergence of the dot.com era also has important implications for transport. E-commerce signals the shift to a world market in which electronic communications transform virtually every aspect of business and market organization. E-commerce refers to using electronic means for marketing products and services, for placing orders, for billing and even for distribution electronically. The growth of e-commerce in the majority of LDCs will be held back due to the lack of basic infrastructures in telecommunications and electricity, affordable computers, poor education and high illiteracy rates. According to the International Telecommunications Union (ITU), the United States has 600 telephone lines per 1,000 people, China has 70, and Chad, Somalia and Afghanistan have only one line per 1,000 people. Additionally, businesses cannot take advantage of new methods of conducting commercial transactions if adequate transport infrastructures and services do not exist in order to convey goods to markets. LDCs increasingly find themselves in a situation, where the potential benefits of electronic commerce cannot be reaped due to a lack of access to

adequate transport services and consequently an inability to translate progress in the *new economy* into real benefits. In this respect, the transport sector as a crucial sector for development must receive national and international support in order to ensure the sustainability of trade- and technology-based development processes.

Private/public partnerships

5. An additional important characteristic of the transport industry is the convergence between private and public sector economics in the transport sector. There are many examples of private/public partnerships in the development and operation of transport infrastructure. Lessons learned by such convergence can certainly be transferred to other economic activities. Transport can thus provide valuable guidance in determining the roles and functions of the public and private sectors in the development process.

Transport policy

6. At the international level, it is important that policies and regulatory regimes are harmonized and that governments are assisted in devising necessary policy measures. These measures should ensure that transport supply capacities in developing countries are created or strengthened and that traders are placed in a position to effectively take advantage of transport opportunities offered in liberalized and globalized ocean transport markets. While general frameworks are being elaborated at the global level, it is also important that Governments pursue parallel efforts toward market and policy reforms in the context of regional integration arrangements. To ensure that development objectives are met, LDC Governments need to assign higher priority to transport issues, review and revise the regulatory framework to allow greater participation of the private sector, introduce reform measures to make providers of transport services more responsive to user demands, streamline administrative procedures, introduce a system of transport performance indicators, promote the use of information technology and strengthen training programmes in this sector. These priorities are an integral part to a policy reform programme which involves a shift away from market access restrictions to a development policy based on strengthening commercial capabilities of national service suppliers and increasing the competitiveness of the transport services sector.

Legal framework

7. Shipper/carrier relations are particularly important for LDCs, as their shippers are typically users of foreign international transport services. An international trade transaction is often composed of an interlocking series of contracts, each of which is subject to a series of rules and regulations, either of a voluntary or mandatory nature. The success of international trade largely depends on whether the relevant rules and regulations adequately respond to the challenges raised by the current technological and commercial developments and succeed in creating certainty and predictability. Legal frameworks in LDCs have to be adapted to the requirements of international trade and brought in line with international practice.

Infrastructure requirements

8. What will be the demand on transport infrastructure in the future? Governments will need to give high priority to develop and modernize existing facilities and to increase the commercial orientation of international transport infrastructure, in particular sea ports as they are the link between international and local transport systems. It is the efficiency of the ports that will determine whether a country or a region will be part of, or detached from, global transport and trade developments. Port productivity will provide a measure of success or failure in this endeavour. The idle time of vessels and cargo in ports must be reduced. If customs clearance can be speeded up or carried out at final destination, goods could quickly pass through the port rather than waiting for controls. The benefit for the shipper is reduced transit times and transport costs. For transport operators, this would mean more productive use of their equipment and thus increased profitability and the ability to lower tariffs.

9. There will likely be an integration of the global supply chain that will force structural changes on the industry. One obvious change is that transport services will become more integrated — the new transport operator will become a multimodal transport or third party logistics operator with control over each of the modes and long-term relationships with the infrastructure owners or operators. This implies that the operation of transport services will be the responsibility of private operators with the infrastructure likely remaining the responsibility of the State — both for its development and its maintenance. Private operators will equip infrastructure facilities and manage the transport services on a long-term lease or concession basis from the State.

10. Infrastructure has traditionally been the preserve of the public sector, partly because of the perceived strategic importance to the economy and partly because of the large investment costs and long gestation periods usually associated with such projects. Government financing may still be available to a limited extent for infrastructure investment projects carried out in connection with objectives such as encouraging economic development. However, this financing has come under increasing pressure in various countries because of macro-economic requirements to reduce the totality of government expenditure. As a result, countries are now looking for financing sources other than Government to fund their investments.

11. Debt financing, notably from multilateral development agencies and guaranteed by Governments, has been a popular way to undertake transport development in LDCs. The multilateral aid agencies give a high priority to transportation project financing. The over-riding importance of transport is generally recognized and reflected in the Official Development Aid (ODA) flows from Development Assistance Committee (DAC) members to LDCs. Over the last 5 years "transport and communications" has consistently been the most important single ODA recipient sector, representing about 10 per cent of ODA commitments. There is a need for new infrastructure investment through both official ODA and private sector FDI. At the same time, there is a large share of accumulated debt due to transport and communication sector investment. Thus the optimization of transport systems becomes ever more important for LDCs in their endeavours to maximize return on public investment and to attract private FDI.

12. Recently, private operators have been able to mobilize the funds necessary to finance certain infrastructure projects and have been willing to accept both project and country risks, provided that the country's institutional framework has met certain minimum standards and the projects have been appropriately structured. This has happened either through joint-ventures or FDI. However, particularly for common user infrastructure, more funds must be mobilized domestically. Governments that recognize this are taking steps to develop their local capital markets. Together with this shift from public equity and debt financing to private equity funding it will be necessary to develop strategies aimed at minimizing infrastructure funding requirements (making the best use of existing infrastructure) and thus replace international capital resources with know-how based operational efficiency.

II. STRATEGIES TO IMPROVE TRANSPORT EFFICIENCY

13. While measures to improve transport infrastructure are necessarily of a long-term nature, a number of specific activities can be envisaged that will have a direct impact on the transport situation of LDCs and on the efficient use of existing infrastructure and equipment. These measures largely relate to improvements in the working of institutions, regional agreements, management assistance (particularly through the application of information technology) and the transfer of know-how. In particular, these measures need to be addressed at the LDC conference.

14. Despite the long-term nature of infrastructure investments, there is potential for action that could already have a positive impact on infrastructure projects in the planning or early implementation stage. The purpose of such an initiative would be to develop a more systematic approach to the enhancement of transport infrastructure. In this approach, multilateral funding institutions and other traditional donors should continue to focus on funding infrastructure and equipment projects. UNCTAD and other institutions could

complement these projects by contributing their expertise through institution-building in transport, transit, logistics, IT, trade facilitation and a legal framework that is required to improve trade and transport efficiency.

Reform measures

15. Faced with reduced funding and more demanding requirements from users, Governments from developing countries must look toward ways of making existing transport infrastructure more effective. In particular, efficient use of existing facilities must be made before funding can be justified for new developments. Thus, facilities must be well maintained and intensively used, requiring skilled management with responsibility and authority. Management must have the freedom to adjust staffing levels and set tariffs to provide competitive self-sustaining services. Rules and regulations need to be changed to provide this autonomy. To make these improvements reform measures such as strengthening management, deregulation, commercialization or privatization will be required. Greater participation of the private sector, particularly international transport operators, is a means of making both knowledge and capital inputs to the sector. For example, recent private sector involvement in the management of a container terminal in an east African LDC has resulted in the doubling of cargo handling productivity. LDCs require assistance in revising their regulatory framework, in human resource development and in implementing reform processes.

IT solutions to transit/transport management and administration

16. Information technologies offer the means to dramatically improve the efficiency of transport operations at a relatively modest cost, provided there is a political will to adopt reform processes and confront vested interests. UNCTAD has developed practical solutions to address efficiency issues, such as the Advance Cargo Information System (ACIS). ACIS is a system designed to produce management information to address multimodal cargo transit and transport resource problems. It is a real-time proactive system providing transport operators with reliable, useful and immediate data on transport operations giving the whereabouts of goods and transport equipment. The resulting performance indicators enable management to remedy operational deficiencies and at the national and subregional levels to provide data for macro-economic planning of the transport sector. Presently, nine LDCs have benefited from ACIS installation. Additional financial resources are required to extend ACIS to other LDCs. Additional tools using information technology and telecommunications need to be developed to improve the operational efficiency of LDC ports.

17. UNCTAD's Customs Reform, Modernization and Automated Programme (ASYCUDA) speeds up the customs clearance process through computerization and the simplification of procedures, thus minimizing administrative costs. Thirty-one of the LDCs have been involved in the ASYCUDA programme. Recently, a new module — the ASYCUDA++ version — has been developed to manage customs transit procedures. Additional financial resources are needed in order to install ASYCUDA++ in more LDCs and help those already using the first generation ASYCUDA software to migrate to ASYCUDA++ (approximately 24 countries).

18. Another example of the use of IT as a tool to facilitate transport operations and to implement subregional integration arrangements in the field of transport is the Road Transport Information System developed by Southern African Development Community (SADC). Several countries have already introduced this computerized system that contains information on vehicle registration and licensing, driver and professional driver registration, registration of vehicle and driver testing facilities, traffic offences and prosecutions and traffic incidents. Assistance for establishing such a system for vehicle registration is required for other countries in the subregion.

Regional integration

19. Surmounting non-physical barriers to enhance the efficient use of existing physical transport infrastructure is a major objective to be pursued particularly when investment resources are scarce. In this

context, the establishment of regional transport corridors and adoption of common rules and standards have played a major role in transit transport facilitation. Institutional changes are required particularly with regard to implementing arrangements and procedures for transit operations to and from landlocked LDCs. These institutional changes and accompanying training arrangements would reduce transport costs of landlocked countries. UNCTAD has taken a lead role both in designing transit systems and agreements and in providing IT solutions to the effective implementation of such agreements. For example, a number of facilitation instruments have been drawn-up in the context of a regional integration arrangement (Common Market for Eastern and Southern Africa – COMESA).[1]

Establishment and strengthening of professional bodies and associations

20. Deregulation, liberalization, partial and full privatization have increased the role of the private sector in the supply of transport and related services. In order to increase its leverage to influence Government policies and actions, the private sector has been establishing or strengthening professional bodies and associations (freight forwarders associations, road transport associations) at the national and regional level. Apart from representing the interests of their constituent members, professional bodies and associations can play a significant role in implementing regional transport instruments such as a Third Party Motor Insurance Scheme. However, as many professional bodies and associations are still weak, there is a need to provide financial and technical support to strengthen existing associations and help to establish new ones. Furthermore, there is a need to promote public/private sector dialogue and cooperation that also requires financial and technical support.

HRD and training

21. Know-how transfer is also required to ensure wider participation by the private sector in transport operations. Governments must develop policies and create regulations that enable all transport operators (all modes) to compete in an enabling commercial environment. Modern legislation must be drafted and effectively and objectively enforced. Training needs to be extended to governmental authorities called upon to provide the necessary framework for private sector participation, as well as to operators to ensure their competitiveness in the international market place.

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[1] COMESA Transit Transport Facilitation Instruments include the Harmonized Axle Load Limits; Carrier License and Transit Plates; Harmonized Road Transit Charges; COMESA/SADC Customs Document; Customs Regional Bond Guarantee; and Third Party Motor Insurance Scheme (Yellow Card).

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OUTCOME OF THE PRE-LDC III WORKSHOP ON LDCs: BUILDING CAPACITIES FOR MAINSTREAMING GENDER IN DEVELOPMENT STRATEGIES

Cape Town, South Africa, 21 - 23 March 2001

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I. CAPE TOWN DECLARATION ON LDCs: BUILDING CAPACITIES FOR MAINSTREAMING GENDER IN DEVELOPMENT STRATEGIES

We, the Ministers and officials of LDCs participating in the workshop on Building Capacities for Mainstreaming Gender in Development Strategies, held in Cape Town, South Africa from 21 to 23 March 2001, having noted that gender mainstreaming was not adequately covered in the first two Preparatory Committee meetings, hereby declare as follows:

1. Gender mainstreaming is an essential strategic component for poverty reduction, gender equity and empowerment of women in LDCs.

2. All efforts must be made to ensure that the above can be attained through effective partnership among different actors in the global community.

3. We strongly endorse the Beijing Declaration of September 1995 following the 4th World Conference on Women.

4. We strongly believe that the Programme of Action to be issued by LDC III should contain gender perspective as a cross-cutting issue.

5. We strongly believe that the empowerment of women in LDCs must be one of the major goals of Governments in partnership with the civil society. Hence, we urge national Governments to give the needed resources to national machineries for gender mainstreaming in all their developmental programmes.

6. We urge Governments, as well as development partners, to provide maximum support to this Declaration and to the implementation of the recommendations emanating from this Workshop.

7. We mandate the Chairperson of this Workshop to convey the contents of this Declaration and the recommendations to the Chairperson of the Intergovernmental Preparatory Committee for the Third United Nations Conference on the Least Developed Countries with a request to have them incorporated in the Programme of Action and urging their speedy implementation.

8. We request the Secretary-General of the United Nations to establish a Group of Eminent Persons in order to examine the best methods as to how the above goals can be attained and who should submit their report to the Secretary-General within six months after the Brussels Conference.

We thank the Government of South Africa for hosting this Workshop and pay tribute to Minister Mrs. Lindiwe Hendricks for skillfully guiding it to a successful conclusion.

We thank the Governments of Denmark, Finland, Japan and Sweden, as well as UNDP, the Industrial Development Corporation, Khula Enterprise, Petronas and Sun International, whose financial contributions made this Workshop possible.

II. AGREED CONCLUSIONS AND RECOMMENDATIONS

The workshop on LDCs: Building Capacities for Mainstreaming Gender in Development Strategies was held on 21-23 March 2001 at the Mount Nelson Hotel, Cape Town, South Africa. It was organized by UNCTAD, hosted by the Government of South Africa and sponsored by the Governments of Denmark, Finland, Japan, Sweden, as well as UNDP and the Industrial Development Corporation of South Africa.

The Workshop was convened as part of preparations for the Third United Nations Conference for Least Developed Countries to be hosted by the European Union in Brussels on 14-20 May 2001. The primary objective of the Workshop was to highlight the link between gender, poverty reduction and economic development and the necessity to mainstream gender into LDCs' national policies and programmes. The following five themes were discussed: Poverty Reduction Strategies and Gender Equality; Engendering National Budgets and Development Strategies; Gender Equality and Trade; Engendering Statistics; and Micro-credit.

A. Poverty Reduction Strategies and Gender Equality

The Workshop on LDCs: Building Capacities for Mainstreaming Gender in Development Strategies:

- Acknowledged the important linkages between development, poverty reduction and gender equality. It recognized that while the status of women in LDCs has advanced in some important respects in the past decade, progress has been uneven, inequalities between women and men have persisted and women remain the vast majority of the poor. Major obstacles remain to fundamental mainstreaming of gender issues throughout all stages of national development policies strategies, programmes and resource allocation.

- Underscored the importance of mainstreaming gender in poverty reduction programmes like Poverty Reduction Strategy Papers (PRSPs). The Workshop identified constraints that must be dealt with, including feminization of poverty, unequal status of women and men in terms of ownership and access to assets and decision-making, inadequate legal frameworks, harmful traditional practices and voicelessness of women.

- Noted that the effective representation and participation of women in all spheres of decision-making, including the political process at all levels, can improve accountability, transparency and consequently lead to good governance.

- Noted that, when they have the opportunity, women can be drivers of inclusive sustainable development.

- Reiterated the need for full and active participation of civil society organizations and other critical stakeholders, including women's groups, in the design and implementation of the development agenda.

Against this background, the following key recommendations were addressed to LDC Governments and development partners:

1. Promote gender mainstreaming as a strategy to reduce poverty, alongside other strategies such as those focusing on empowerment and vulnerability reduction. Women's and men's roles and responsibilities should equally be an integral part of national development policies, strategies and programmes, e.g. PRSPs and national budget processes, in order to ensure social justice and economic development.

2. Promote capacity building in gender mainstreaming at all levels, including reforms of institutional and legal frameworks.

3. Enhance women's full and equal participation in decision making at all levels.

4. Allocate adequate human and financial resources to facilitate the implementation of the commitments made at national and regional levels, as well as at international conferences.

5. In order to eradicate poverty, national Governments should promote and protect women's equal access to, ownership and inheritance of property and other productive resources.

6. Invest in basic economic and social infrastructure and services, such as health, prevention of HIV and other pandemic diseases, sanitation, shelter, education, water, energy, transport and other time-saving infrastructures which reduce women's and girls' domestic work load.

B. Engendering National Budgets and Development Strategies

- Budgets are national policy instruments with an important impact on people through their redistributive effects and creation of opportunities. Gender budgeting is a collection of methods that illuminate the allocation and impacts of budgets on women and men and is an important tool to mainstream gender in development strategies. Due to lack of knowledge of their importance,

and of human and financial resources to implement them, gender budgeting has been undertaken in very few countries.

Against this background, the following key recommendations were addressed to LDC Governments and development partners:

7. Build local teams of experts from both within and outside the Government in order to initiate and sustain gender budget activities. Create partnerships between the Government and the civil society to ensure transparency and accountability in the budget process. Strengthen advocacy and information dissemination on how budgets affect ordinary citizen.

8. Macro-economic policies, which underpin the budget allocations, should be analysed from a gender perspective with attention to both the revenue and expenditure sides of the budget. Gender analysis should be part of the whole budget cycle.

9. Impart gender analysis skills to policy makers, planners and to PRSP thematic group participants, and economic literacy skills to gender advocates to enable them to be effective in their work.

10. Relevant international organizations, including the United Nations and its agencies and international financial institutions, should assist upon request in the implementation of gender budgets in LDCs.

C. Gender Equality and Trade

- The Workshop acknowledged that trade policies and programmes are not gender neutral. As women and men occupy different economic and social positions, have different tasks and responsibilities as well as different access to private and public resources, they experience trade reforms differently, in both their roles of producers, consumers and providers of care to their families.

- Because of existing gender inequalities, women tend to be more vulnerable to the negative effects of trade liberalization and less able to benefit from the positive effects. For example, job losses in industries that are not competitive in the regional and world markets, due to increased availability of cheap imports, are more likely to affect small firms, most of which are run by women. Moreover, the removal of import duties also diminishes government revenues, which often leads to reduction of public expenditure (e.g. in education or health), if not replaced by other sources of finance. This has serious consequences for welfare and poverty, and has particular implications for women.

- Gender inequalities hamper economic development by preventing women from responding to the new trade opportunities. For example, women, despite constituting 70-90 percent of the workforce in agriculture, which is still the main sector in most LDCs, have very little control over land, credit, inputs, extension services and good infrastructure. These

inequalities greatly reduce their productivity and further decrease LDCs' share of trade in agricultural goods in the global market.

Against this background, the following key recommendations were addressed to LDC Governments and development partners:

11. Include gender specialists in the trade negotiation teams set up for national, regional and international negotiations and impart gender analysis skills to members of these teams. Ensure greater participation of women and the adoption of a gender perspective in the formulation of trade policies and in the WTO negotiations.

12. Provide the Ministries of Trade with gender sensitization training, gender analysis skills and knowledge on how to use gender sensitive trade statistics.

13. In partnership with the private sector and the civil society, identify those sectors that have the greatest impact from trade liberalization and formulate specific measures to alleviate the negative effects on women and to enable them to take advantage of the opportunities created.

14. Collect and make available information and statistics on which sectors women and men work and how they are remunerated, e.g. who are the cash crop farmers and food crop farmers, remunerated workers and unpaid family laborers, land-owners and land users, etc.

15. Develop specific tools, targets and indicators for a framework that systematically analyse the links between trade and gender.

16. International development partners should assist the LDCs in collecting gender sensitive trade statistics and undertaking case studies on the impact of international trade on women and men in LDCs, in particular on the poor.

D. Engendering Statistics

- Gender statistics refer to all statistics on individuals, collected by sex, with all variables and characteristics analysed and presented using sex as a primary and overall classification, so that all analyses and presentations are also sex-specific. With a few exceptions, this is not the case in practice; even where sex-specific data have been collected, it is not analysed from a gender perspective.

- Gender statistics is an important tool for evidence-based development planning. It is needed throughout the entire process of policy making, implementation, monitoring and evaluation.

Against this background, the following key recommendations were addressed to LDC Governments and development partners:

17. The production of gender statistics must be the responsibility of the official statistical system at all levels, and cover sex-disaggregated data from different sources and all sectors. Moreover, all statistics should reflect gender issues.

18. Participatory and qualitative methods of collecting statistics to complement existing quantitative methods should be adopted with a view to raising consciousness and inspiring measures for change.

19. Existing data collected by sex should be analysed from a gender perspective, repackaged, presented and disseminated in a manner that is accessible to different types of users.

20. Train and promote awareness among producers of statistics regarding gender concerns in society, to enable them to collect and analyse gender sensitive statistics to present them in a user friendly manner.

21. Improve cooperation and regular dialogue between producers and users of statistics, which would enable them to arrive at a consensus on priorities, as well as provide a monitoring mechanism on data collection.

22. Continue to revise the 1993 United Nations system of national accounts in order to incorporate all, as yet uncounted, relevant women's unpaid labour and reproductive economy.

23. Assist LDCs to collect and analyse sex disaggregated data to include gender analysis into their national policy formulation by sharing of good practice experiences.

E. Micro-credit

- Micro-credit is one of the approaches dealing with the issue of poverty alleviation within the development agenda. The aim of micro-credit is to extend financial help to the poor by creating new opportunities and jobs for them. During the last two decades, the experience in a number of LDCs has shown that the poor, especially women, are good creditors and fund managers and have made a lot of progress. If the poor are given opportunities through micro-credit, they can overcome poverty.

- Experience has also shown that in order for the micro credit programmes to be successful, the poorest of the poor have to be specifically targeted. Moreover, there is general lack of supportive legal and institutional framework for micro-credit. Cultural practices have also constrained the overall success of these programmes in empowering women in a number of LDCs.

Against this background, the following key recommendations were addressed to LDC Governments and development partners:

24. Provide women with greater access to credit and other financial services to enhance their economic status and to improve household welfare.

25. Develop mechanisms for effective targeting of the poorest of the poor.

26. National Governments to put legal policy and institutional frameworks into place. These would be conducive to enabling micro finance institutions to effectively target the poorest of the poor, especially women.

27. Conduct capacity building and empowerment of all stakeholders involved in micro credit delivery systems.

28. Encourage sharing of experiences on micro-credit among LDCs and all relevant bodies.

F. The Way Forward

- National Governments, with support from international development partners, should allocate the necessary resources for the implementation of these recommendations.

- In order to ensure continuity, a focal point with all the necessary resources should be established within UNCTAD to follow-up on this Workshop. This is to ensure that its outcome is reflected in the preparations up to the LDC III Conference and also the implementation of its recommendations, in particular those related to trade and gender.

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OUTCOME OF THE JOINT CFC/UNCTAD WORKSHOP ON ENHANCING PRODUCTIVE CAPACITIES AND DIVERSIFICATION OF COMMODITIES IN LDCs AND SOUTH-SOUTH COOPERATION

Palais des Nations, Geneva, 22-23 March 2001

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JOINT CFC / UNCTAD WORKSHOP ON "ENHANCING PRODUCTIVE CAPACITIES AND DIVERSIFICATION OF COMMODITIES IN LDCS AND SOUTH-SOUTH CO-OPERATION"

1. The Joint CFC/UNCTAD Workshop on Enhancing Productive Capacities and Diversification of Commodities in LDCs and South-South Co-operation was held at the Palais de Nations, Geneva, from 22 to 23 March 2001. The Workshop was attended by delegates from 24 LDCs, 11 other countries and the European Union, and 10 delegates from international commodity bodies (ICBs) and other international organisations. H.E. Mr. Retselisitsoe Victor Lechesa, Ambassador of Lesotho, was elected Chairman of the Meeting.

2. Opening addresses to the Workshop were made by Mr. Rubens Ricupero, Secretary-General, UNCTAD, and Mr. Rolf W. Boehnke, Managing Director, CFC. Four thematic presentations were made during the Workshop which were followed by discussions:

- Enhancing Productive Capacities and Competitiveness;
- Vertical, Horizontal and Geographical Diversification of Commodities;
- Commodity Market Development;
- Structured Commodity Finance, Price Risk Management and Commodity Development Financing and Foreign Direct Investment (FDI).

3. Country representatives from LDCs made brief presentations on the role of commodities in their economies and specific problems and constraints faced by them in developing the commodity sector in their countries.

4. *Role of Commodities:* Most of the economies of the participating countries depend heavily on the commodity sector, with agriculture and fisheries contributing over 36% of GDP and over 80% of export earnings. More than 70% of their population is essentially employed in primary commodity production, with a major part engaged in subsistence farming.

5. The countries produce a range of agricultural commodities contributing in various proportions to their export earnings. Major export commodities include bananas, cashew, cereals, cocoa, coffee, cotton and cotton seed, cut flowers, fonio, fish and marine products, ground nuts, gum arabica, hides and skins, horticultural products (beans, fresh chillies, onions etc), live animals, medicinal plants, pulses, oilseeds, oil palm, rice, spices, tobacco, tropical fruits and tubers. However, two or three commodities account for the bulk of each LDC's export trade, a single commodity often accounting for over 60% of export earnings.

6. *Prevailing Production Methods:* The social aspects of LDCs' agriculture are predominantly those of individual households using family labour on small plots. Simple commodity production had beem developed on a slash and burn basis using primitive farming techniques. With limited areas available for agricultural expansion under this method of cultivation, output has failed to keep pace with population growth and hence has been unable to allow food self-sufficiency and export expansion. Both subsistence and smallholder-based

commodity production are heavily dependent on rain-fed agriculture. Most LDCs are exposed to the vagaries of climatic and other natural calamities. Lack of agricultural inputs, including improved seeds, fertilisers and disease control chemicals, are some of the major constraints on improving agricultural productivity. The absence of adequate extension services and research and development capacities have limited the spread and adoption of modern agricultural production techniques, impacting negatively on the quality of commodities.

7. *Other Major Constraints of the Commodities Sector:* The most important constraints are price and earnings volatility and the susceptibility of the commodity dependent countries to developments in international commodity and financial markets. This is particularly linked to the heavy reliance on a small range of commodities. They are also vulnerable when plantations are damaged by various causes or become less productive due to genetic wear, as in the case of tree crops. Most of these countries, therefore, pursue diversification strategies of their export crops. Linked to the smallholder-based production and marketing structure is the low quality of the products, which are often sold at discounted prices. Market access is often barred due to inability to meet prescribed sanitary and phytosanitary (SPS) as well as other technical standards. With regard to market access, while appreciating initiatives already taken in favour of LDCs, it was felt that more should be done. Furthermore, LDC products often suffer from lack of competitiveness due to the high costs of production, transportation and marketing. Lack of well developed physical infrastructure not only causes deterioration in quality, but also heavy losses in value due to spoilage and delays in delivery. Many LDCs have the disadvantage of being insular or landlocked, in addition to having weak infrastructure.

8. With a view to achieving sustainable and equitable development and reducing poverty, the LDC participants in the Workshop recommended actionable measures in the following broad areas:

8.1. *Enhancing Productive Capacities*

- Transfer and adoption of suitable production technologies, including for small-scale operations;
- Strengthening research and development capacities in LDCs;
- Availability of improved seeds and planting material at the local or regional level;
- Institutional and human capacity building;
- Investment in supportive infrastructure.

8.2. *Quality and Safety Standards*

- Harmonization of national and regional standards;
- Building of national and regional capacity for testing and certification.

8.3. *Post Harvest Measures*

- Appropriate post harvest treatment and storage so as to reduce losses.

8.4. *Horizontal and Vertical Diversification*

- Assessment of the feasibility of horizontal and vertical commodity diversification;
- Expansion of production and trade in non-traditional commodities;
- Value addition through local processing, particularly at the small and medium scale level;
- Development of new uses;
- Valorisation of by-products and co-products.

8.5. *Marketing*

- Product differentiation and development of niche markets ("decommoditization" of commodities);
- Entering new regional markets and development of the home market;
- Market information and commodity exchanges;
- Ways of addressing the transport cost and other disadvantages of landlocked and small island countries.

8.6. *Financing*

- Availability of input credit for small farmers;
- Use of warehouse receipts to facilitate the access to and reduce the cost of finance;
- Price risk management to mitigate the effects of volatile commodity markets;
- Creating enabling conditions to attract foreign direct investment (FDI).

8.7. *Strategic Partnerships*

- Complementarity of actions of all developmental partners covering the whole production and marketing chain, taking into account the Integrated Framework for Trade-Related Technical Assistance to the LDCs.

9. The Common Fund for Commodities, UNCTAD and other multilateral as well as bilateral development institutions are asked to support projects in the above-mentioned areas.

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OUTCOME OF THE HIGH-LEVEL MEETING ON TOURISM AND DEVELOPMENT IN THE LEAST DEVELOPED COUNTRIES

Gran Canaria, Spain, 26-29 March 2001

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I. THE CANARY ISLANDS DECLARATION ON TOURISM IN THE LEAST DEVELOPED COUNTRIES

Sustainable tourism as an engine of development in the LDCs

We, Ministers and Heads of delegations gathered in Gran Canaria (Spain) on 26-29 March 2001 for the High-level meeting on Tourism in the Least Developed Countries (LDCs), organized in the framework of preparations for the Third United Nations Conference on the Least Developed Countries,

Conscious of the serious socio-economic situation of the LDCs, many of which are increasingly marginalized from the global economy;

Aware of the valuable economic opportunities which international tourism has already brought to several LDCs; the catalytic impact tourism activities can have on the development process; and the contribution that tourism can make to the international dialogue between peoples and the promotion of peace;

Convinced that, for a large majority of LDCs, tourism development can be an avenue to increase participation in the global economy, alleviate poverty, and achieve socio-economic progress for all the people of these countries;

Noting:

(a) The significant comparative advantages existing in most LDCs with regard to tourism development, and the insufficient appreciation of such advantages among decision makers in many LDCs and the international community;

(b) The severity of handicaps which many LDCs suffer from in their efforts to promote tourism development, especially in the context of deficiencies in the necessary physical infrastructure, communications, and relevant skilled human resources;

(c) The absence of comprehensive reference, in the previous two Programmes of Action for the LDCs (1981, 1990), to the importance of tourism as a potential engine of economic development in the LDCs, and the insufficient recognition of this importance in the draft Programme of Action for the LDCs to be considered by the Third Conference;

Seizing the unique opportunity offered by the Third United Nations Conference on the Least Developed Countries to bring to the attention of the international community the benefits

of tourism for the development of the LDCs, and the needs of these countries for external support in their efforts to develop tourism trade;

Mindful, however, of the diversity of situations, among the LDCs, in terms of geographical characteristics and natural endowments, which involves mixes of economic advantages and disadvantages and therefore the need for a differentiated approach to tourism development, among these countries;

1. *Submit* to the Third United Nations Conference on the Least Developed Countries a Plan of Action to support tourism development in the LDCs, based on the following four areas of action:

(a) Strengthening the capacities of LDC Governments to develop sustainable and competitive tourism;
(b) Developing entrepreneurial capacities and managerial skills to improve the competitiveness of tourism products and services;
(c) Promoting synergies between transport and tourism policies, with particular reference to air transport;
(d) Increasing national capacities to use relevant elements of the multilateral trade framework;

2. *Urge* the international community to give favourable consideration to the four areas of cooperation that constitute the Canary Islands Plan of Action for Tourism Development in the LDCs, and to extend the same favourable consideration to national and regional projects that may additionally be presented, in response to the problems recognized under the plan of action, by LDCs or relevant regional and international organizations, to the donor community;

3. *Ask* the Intergovernmental Preparatory Committee of the Third United Nations Conference on the Least Developed Countries at its third session (New-York, 2-6 April 2001) to insert in the draft Programme of Action for the Least Developed Countries for the 2001-2010 decade the following section as part of Commitment 4:

"*Sustainable tourism*

International tourism is one of the few economic sectors through which LDC's have managed to increase their participation in the global economy. It can be an engine of employment creation, poverty alleviation, reduction of gender inequality, and protection of the natural and cultural heritage. It contributes to reducing economic instability and vulnerability. These facts principally result from the existence, in most LDC's, of significant comparative advantages that

are conducive to viable tourism specialization. Yet, tourism is not among priority sectors for socio-economic development in many LDC's.

Action by LDCs:

(a) Promote a climate conducive to tourism, based on peace, stability and security;

(b) Make tourism a priority sector in national development policies, and allow effective participation of national tourism authorities in the decision-making process;

(c) Determine the most desirable tourism product specialization in order to guide potential investors in their decisions;

(d) Promote domestic and foreign investment in the tourism industry and related sectors;

(e) Take measures to facilitate local tourism operators' access to and participation in global information and distribution systems;

(f) Formulate strategies to achieve the most beneficial air transport-tourism linkage;

(g) Use the multilateral trade framework to translate tourism development objectives into trade policy measures under the General Agreement on Trade in Services of the World Trade Organization.

Action by development partners:

(a) Strengthen measures to encourage investment in the tourism industry and entreprise development in the wider tourism economy, in particular, through increased access to financial facilities and the development of human resources;

(b) Provide assistance to enhance the economic efficiency, competitiveness and sustainability of tourism operations, in particular, through access to and participation in global distribution systems, and use of appropriate technology;

(c) Assist in the formulation and implementation of policies and strategies to promote synergy between transport and tourism, with particular reference to air transport;

(d) Provide financial and technical assistance to the strengthening of national capacities to effectively participate and negotiate in the relevant segments of the multilateral trade framework."

4. *Entrust* the Chairman of this High-level Meeting and the head of the Spanish delegation with the presentation of the outcome of the meeting at the Third United Nations Conference on the Least Developed Countries, in the framework of its thematic session on international trade in goods and services;

5. *Request* the United Nations Conference on Trade and Development and the World Tourism Organization to facilitate and support the acceptance, by the international donor community, of the Canary Islands Plan of Action for Tourism Development in the Least Developed Countries;

6. *Express* our sincere gratitude to the Government of Spain, in particular, the Spanish Agency for International Cooperation (AECI), for their financial, organizational and substantive support to the Meeting, and to the regional government of the Canary Islands, in particular its Transport and Tourism Council, for facilitating and hosting this high-level event, and for their warm hospitality.

Gran Canaria, 29 March 2001

II. CANARY ISLANDS PLAN OF ACTION FOR TOURISM DEVELOPMENT IN THE LDCs

Area of action one

Strengthening of capacities of LDC Governments to develop sustainable and competitive tourism

Portfolio of project proposal

ISSUES TO BE ADDRESSED	ACTIVITIES
Support to the implementation of master plans for the development of sustainable tourism in LDCs	1. Definition of national sustainable tourism strategies in the LDCs. 2. Mobilizing foreign investment funds. 3. Setting up investment fund warranties for investors. 4. Development and maintenance of tourism infrastructure. 5. Management of the territory, landscape, cultural heritage, environment and biodiversity. 6. Implementation of training programmes to upgrade skills at all levels and segments of the tourism sector. 7. Regulatory framework for tourism. 8. Policy framework for tourism, including incentives and other supporting mechanisms to promote national and foreign investment. 9. Integration of local communities. 10. Preservation of natural systems (land and marine) and sustainable management of natural resources and emissions (water, energy, food supply…). 11. Promotion of a proper national image of LDCs' tourism destinations among potential visitors and investors. 12. Managing the impact of crisis. 13. Development and implementation of the satellite account for tourism as a means of

	managing leakages. 14. Strengthening linkages of tourism with other sectors, including agriculture and manufacturing, to reduce the "leakages" gradually. 15. Establishment of information systems and an information network among LDCs. 16. Establishment of an observatory of tourism for LDCs to monitor the progress and the impact in the global sustainable development in each country.
Support to the tourism professional sector in LDCs in terms of competitiveness, profitability, technological advancement and qualification of skills	1. Plan of action to incorporate tourism professionals in the market in competitive conditions. 2. Reducing transaction costs. 3. Special programmes to support the micro, small and medium enterprises in the tourism sector of LDCs. 4. Creation of training centres for professionals of tourism.
Support to LDC tourism destinations and the professional sector in terms of quality tourism products, standards and assurance	1. Preparation of national guidelines and manuals to implement quality criteria in tourism development by destinations, activities, products and services. 2. Definition, design and establishment of quality levels for LDCs' tourism products. 3. Training programmes to buildup capacities of tourism officials and professionals to apply the quality approach to tourism development with a view to benchmarking capabilities and communication with quality assurance bodies.

Area of action two

Developing entrepreneurial capacities and managerial skills to improve the competitiveness of tourism products and services

Portfolio of project proposal

ISSUES TO BE ADDRESSED	ACTIONS TO BE UNDERTAKEN
Insufficient definition of the most desirable product specialization, considering the evolving comparative advantages and competitive position of the LDCs in the global tourism market	1. Research to identify the most desirable product specialization in the light of the countries' assets: analysis of evolving comparative advantages and competitiveness in a regional and international perspective.
Insufficient investment in the tourism industry	1. Support the formulation and implementation of national policies to encourage foreign investment in tourism in the light of findings on the most desirable product specialization (incentives, promotion abroad, etc.). 2. Support the formulation and implementation of national policies to encourage domestic investment in the tourism industry (training and assistance in project analysis and preparation).
Insufficient entrepreneurship in the sectors expected to supply vital goods and services to the tourism industry	Support to the formulation of policies to encourage enterprise development in the sectors most directly linked with the tourism industry (e.g.: food and land transport sectors).
Insufficient access to funds for local tourism projects	1. Develop a proposal to create an international (or several regional) venture capital fund(s) for tourism projects in the

	LDCs. 2. Formulate and implement options for special credit lines for tourism projects in commercial banks, development banks, or suppliers of micro-credit.
Insufficient awareness or understanding of the benefits expected from tourism development	Develop practical tools to increase awareness, among target groups, of the benefits of tourism for national development: . publications . sensitization events (including schools).

Area of action three

Promomoting synergies between transport and tourism policies, with particular reference to air transports

Portfolio of project proposal area of action three

ISSUES TO BE ADDRESSED	ACTIVITIES
Air access to LDCs	1. Strategy to achieve policy coherence of air transport and tourism.
Beneficial linkages between ATS and tourism	1. Regional and subregional hubs in terms of air transport link with tourism in LDCs. 2. Support to open skies policies among LDCs and within regional agreements.
Safety and security requirements in air transport	1. Evaluation of equipment needs and mobilization of finance. 2. Evaluation of training needs. 3. Creation of regional LDC training centres for safety and security for air transport.
Access to CRS and GDCs	1. Evaluation of problems and barriers facing LDCs in regard to CRS and GDS. 2. Better use of equipment of GDS and adequate training for tourism operators of LDCs.

Area of action four

Increasing national capacities to negotiate and use relevant elements of the multilateral trade framework and integration and cooperation schemes

Portfolio of project proposals

ISSUES TO BE ADDRESSED	ACTIVITIES
Sensitize tourism stakeholders on the WTO and GATS, and other relevant international trade agreements and their treatment of tourism services.	National and regional workshops. Training of trainers in the tourism industry and support for them in providing in-country teaching programmes on GATS and tourism. Develop and teach curriculum on multilateral trade agreements within national and regional tourism training institutes. Awareness building advice by UNCTAD, the World Trade Organization and the World Tourism Organization.
Exchange of experiences among tourism industry representatives on their use of the GATS and other international trade agreements affecting tourism services.	Papers on country experiences. Regional and interregional workshops.
Strengthen the analytical and technical preparedness of tourism stakeholders in identifying their interests and translating them into trade negotiation objectives.	Technical papers on negotiation objectives. National workshops on trade negotiation objectives. National, regional and/or interregional workshops on state of play in the GATS negotiations.
Strengthen the link between tourism stakeholders on the one hand, and trade negotiators and national government officials on the other hand regarding negotiations and use of GATS in respect of tourism.	National and regional workshops involving tourism industry representatives and Geneva-based trade negotiators. Sensitization tours of tourism representatives to Geneva to participate in GATS and tourism services negotiations.
Assist LDCs in the process of acceding to	Analytical papers on tourism services.

the WTO/OMC in preparing commitments on tourism services which promote their development objectives.	National workshops. Advice from UNCTAD, the World Trade Organization and the World Tourism Organization.
Integrate tourism policies and plans into national development policies and plans, and into national trade negotiation objectives and machinery.	Analytical studies on policies. National workshops. National tourism policies, plans and legislations.
Facilitation of the movement of tourism professionals among LDC	Study on the impact of the liberalization of the Movement of professionals of tourism among LDC. Formulation of regional agreements.
Facilitation of the movements of tourists in the framework of regional agreements and cooperation schemes.	Comparative study and recommendations on most suitable conditions to facilitate the movement of tourists including visas.
Measures to promote ethical standards in tourism destinations of LDCs.	Prepare an annex to implement the OMT/WTO Global Code of Ethics for Tourism in LDCs. Exchange of experiences among LDCs on the implementation of the Global Code of Ethics for Tourism.
Tourism promotion taking advantage of regional agreements	Programme of action for joint promotion of tourism destinations of LDCs (international fairs, websites, internet).

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REPORT OF ESCAP's SPECIAL BODY ON LEAST DEVELOPED AND LANDLOCKED DEVELOPING COUNTRIES ON ITS FIFTH SESSION*

SUMMARY

In preparation for the Third United Nations Conference on the Least Developed Countries, the Special Body on Least Developed and Landlocked Developing Countries considered the implementation of the Programme of Action for the Least Developed Countries for the 1990s as presented in document E/ESCAP/SB/LDC(5)/1. The Special Body adopted the recommendations at both the national and international levels with a special focus on social issues, infrastructure, trade and finance for development for submission as the regional input to the Third United Nations Conference on the Least Developed Countries.

The Special Body reviewed the programme of work for the biennium 2000-2001. It noted with appreciation the multifaceted activities implemented by the secretariat for least developed and landlocked developing countries. It recognized the important role of the regional commissions in undertaking activities for the benefit of these countries and urged the secretariat to develop and implement its future programme of work in line with the programme of action expected to be adopted at the Conference.

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I. MATTERS CALLING FOR ACTION BY THE COMMISSION OR BROUGHT TO ITS ATTENTION

A. Implementation of the Programme of Action for the Least Developed Countries for the 1990s and recommendations for future action

1. The Special Body had before it, under agenda item 4, document E/ESCAP/SB/LDC(5)/1. It commended the secretariat on the excellent quality of the document and generally agreed with the assessment that the development goals envisaged in the Programme of Action for the 1990s remained substantially unfulfilled in the Asian and Pacific least developed countries (LDCs). The Special Body adopted the recommendations contained in the document with certain amendments, as presented below, and asked the Commission to endorse the recommendations at its fifty-seventh session.

1. Social issues

Introduction

2. It was recognized that the LDCs of the Asian and Pacific region showed considerable variations in terms of social, economic and cultural conditions. While recognizing those differences, the Meeting adopted the following recommendations for improving the performance of that group of countries in the social sectors, on the clear understanding that their implementation would have to be fine-tuned to meet the specific needs and priorities of each country and that the recommendations were by no means exhaustive. It was also recognized that social development required action in a wide range of areas, such as education, health, poverty alleviation, population, governance and the empowerment of women. The discussions and recommendations covered two major areas, education and health.

Action at the national level

3. There was general agreement that the appropriate development of education and health would have a positive impact on economic growth with a certain gestation period. Moreover, universal access to basic education and health services was a development objective in its own right. Governments should, therefore, put the utmost emphasis on expanding the coverage of those services to the population as a whole. In that context, governments should adopt all possible measures to increase enrolment and literacy rates, including through legislation, to make primary education compulsory within such a time frame as was determined appropriate, particularly in countries where the current enrolment rate was relatively low. Governments should also provide basic health services to all.

4. While expanding the coverage of primary education, attention should be paid to the quality of education. Efforts should be made to minimize wastage through, for example, grade repetition and drop-outs.

5. In addition to primary education, LDCs needed to expand education at the secondary and tertiary levels. Particular emphasis should be given to vocational and technical education so as to ensure the supply of skilled human resources. It was also noted that manpower requirements changed over time as an economy underwent structural changes and therefore the

balance between various levels and types of education should be kept under review to ensure that the graduates of the educational system met the changing requirements of the economy.

6. In order to expand the coverage and improve the quality of education and the health system in rural areas, national governments should make efforts to ensure the availability of trained teachers, doctors, nurses, paramedics and other required inputs. Furthermore, appropriate incentives should be provided to motivate the relevant personnel to work in rural areas.

7. In many LDCs, the access of women to social services was significantly less than that of men. Governments should give particular emphasis to the enhanced access of women to education and health services.

8. The need for greater allocation of financial resources to education and health was strongly emphasized. The options could include raising more revenue and intersectoral reallocation within government budgets. There was also an urgent need for enhanced official development assistance (ODA) and debt relief for LDCs, as envisaged under the Copenhagen Declaration and Programme of Action of the World Summit for Social Development, to enable them to allocate greater financial resources to priority social sectors.

9. To ensure the sustainability of social services, there should be adequate provision for the required current expenditure to meet personnel, maintenance and other operational costs. Such current expenditure had a clear developmental impact. Aid agencies should take that aspect into account in prescribing fiscal deficit ceilings for LDCs in consultation with the country concerned.

10. In certain aspects of education and health services, LDCs might consider cutting back on subsidies that did not benefit the poor. In circumstances where the reduction of subsidies affected the poor, their access to social services should be protected through appropriate means, such as the provision of scholarships or loans for higher education.

11. In creating social infrastructure, efforts should be made to encourage the participation of non-governmental organizations, community-based organizations and the private sector where those entities were in a position to increase the availability and improve the quality of social infrastructure. It was observed that those organizations had been quite effective in some countries in delivering basic education and health services to the poor and rural areas and the private sector had played a useful role in the provision of post-secondary education. The need for putting in place appropriate policy frameworks to ensure that those agents maintained the requisite quality of services provided by them was emphasized. The view was also expressed that in securing the participation of the above organizations, a balance should be maintained between their role as agents of the delivery of social services and their advocacy and watchdog role on issues of public concern.

Action by the international/donor community

12. It was noted that poor physical infrastructure was a major constraint on the effective delivery of social services in LDCs. The international community should therefore pay greater attention to the financing of infrastructure development in those countries.

13. In order to provide adequate resources for social development in LDCs, the international community should fulfil the provisions contained in various declarations and programmes of action emanating from United Nations-sponsored global conferences, such as the World Summit for Social Development, the Global Conference on the Sustainable Development of Small Island Developing States, and the Second United Nations Conference on the Least Developed Countries.

2. Infrastructure issues

Introduction

14. Economic infrastructure encompassed a large number of areas. Those included various modes of transport, such as roads, railways, inland waterways, inter-island shipping, civil aviation, ropeways, energy and telecommunications. The relative importance of those various elements of economic infrastructure varied from country to country and therefore action to improve the economic infrastructure would have to be tailored to meet the specific needs of each LDC. The discussions at the Meeting focused largely on the transport and communication sectors. It was recognized that transport and communications created broad-based opportunities for income generation and thereby promoted economic growth and alleviated poverty. Furthermore, transport, communications and energy networks could help in the effective delivery of social services. The following are some of the recommendations which may apply to a cross-section of LDCs.

Action at the national level

15. The externalities associated with transport and communication services, long gestation periods, and a relatively underdeveloped private sector in LDCs required governments to play a major role in the provision of economic infrastructure. At the same time, the paucity of financial as well as human resources in the public sector made it imperative to seek the active participation of both domestic and foreign private investors in infrastructure.

16. In determining the role of the private sector in the provision of infrastructure, it was critically important to ensure that the decision-making process was transparent and public interest duly protected.

17. Governments had an important role to play in encouraging private sector and community participation in infrastructure. They had to provide a conducive policy framework, including on issues such as debt-equity ratios, and access to capital from financial institutions on reasonable terms from both home and abroad.

18. The maintenance of infrastructure facilities was crucial for optimal use. Governments therefore needed to devote greater resources to the maintenance of the publicly provided infrastructure. In that connection, national governments might consider creating maintenance funds if their budgetary practices permitted. One option in that regard could be the earmarking of a certain portion of user fees, wherever it was feasible and desirable to levy such fees. The involvement of local government institutions in maintaining the infrastructure also deserved encouragement.

19. The importance of the availability of skilled manpower for establishing and maintaining, as well as restructuring, the institutions responsible for the planning and regulation of infrastructure was emphasized. In that regard, it was noted that the educational system should be geared to the provision of adequate skilled personnel for infrastructure. It was further underscored that the application of computer-based information technology was crucial for increasing the efficiency of infrastructure, particularly in railways and telecommunication systems. It was, therefore, essential to augment the availability of personnel skilled in information technology.

20. With regard to infrastructure planning, it was suggested that transport and communication networks should be planned taking into account the regional context, where regional networking was feasible and beneficial to all participating countries.

21. Rural infrastructure should receive particular attention in order for that sector to make an effective contribution to poverty alleviation and employment in LDCs.

Action by the international/donor community

22. The international community should provide a higher level of financial resources to LDCs to meet their infrastructural needs. Here again, the need for the fulfilment of obligations under the relevant declarations and programmes of action emanating from the various global conferences sponsored by the United Nations during the 1990s was emphasized. The international community could also encourage private sector participation in infrastructure through co-financing and playing a catalytic role in attracting FDI.

23. Recognizing that financial resources was not the only requirement for the development of infrastructure in LDCs, the international community and donor agencies were urged to provide technology and technical assistance for the development of human resources.

24. Where countries of the region agreed, the international community should facilitate regional cooperation with a view to linking the transport and telecommunication networks of LDCs with those of neighbouring countries. That was particularly vital for landlocked and island countries, to enable them to engage effectively in international trade and tourism.

25. Recognizing that, in spite of best efforts, private sector participation in infrastructure development in LDCs, especially in providing access to remote, sparsely populated and mountainous areas, would be difficult to obtain, it was suggested that the international community should set up a special fund for infrastructure development.

3. Trade issues

Introduction

26. The marginalization of LDCs, including those in Asia and the Pacific, from the mainstream of a rapidly globalizing world economy was reflected in their low and declining share in world trade, investment and output. The poor trade performance of those countries in global trade in the last two decades was a result of supply- and demand-side constraints affecting their trade and competitiveness. The structure of exports of Asian and Pacific LDCs showed that more than half the exports came from food and agricultural raw materials and only

about a third from the manufacturing sector. However, it was noted that a number of the countries depended heavily on foreign exchange earnings from the service sector. In order to reverse that marginalization and ensure the meaningful and beneficial integration of LDCs into the global economy and the multilateral trading system, concrete action by those countries and their development partners was required to help to strengthen the supply capacity of LDCs through the development of physical and institutional infrastructure, human resources development, unencumbered and improved market access and retained flexibility in the use of appropriate policy instruments to strengthen the competitiveness of sectors of strategic importance for the development of LDC trade. In addressing the above issues, the following recommendations were made.

Action at the national level

27. LDCs should continue and deepen efforts to improve their macroeconomic conditions and sectoral policies to enable them to reap the benefits of globalization as well as regional trading opportunities.

28. Physical infrastructure should be developed.

29. Efforts should be intensified to diversify the export structure and export markets.

30. Efforts should be strengthened to develop human resources and promote entrepreneurial capacity.

31. The technological base should be upgraded.

Action at the international level

32. Asian and Pacific LDCs are calling on their trading partners to provide bound, duty- and quota free access to all products exported by LDCs.

33. Trade preferences in favour of LDCs should be provided on a non-discriminating basis.

34. Rules of origin should be simplified and harmonized to promote LDC exports.

35. Effective special and differential measures in favour of LDCs should be made an integral part of the multilateral trading system.

36. Careful consideration should be given to preferential market conditions for LDCs with respect to the movement of natural persons.

37. Measures should be taken to ensure remunerative commodity prices and the stabilizing of commodity trade.

38. There should be policy coherence on the part of development partners in their responses to the market access and supply capacity concerns of LDCs.

39. There should be a longer period of transition in the implementation of WTO agreements.

40. Effective implementation of the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries should be accelerated.

41. Support should be intensified for the building up of capacity in LDCs to undertake multilateral trade negotiations and ensure adequate representation in WTO trade negotiations.

42. Multilateral trade rules governing regional trade arrangements should be complementary to regional integration efforts and provide adequate flexibility to the Asian and Pacific LDCs in adjusting to a more liberalized and competitive trade regime under those arrangements.

43. There should be fast-track accession to WTO without LDCs being asked to assume obligations or commitments that went beyond what was applicable to LDC members of WTO.

4. Financing for development

Introduction

44. It was recognized that development required financing, not merely of investment but also of many forms of current expenditure with important implications for development (for example, salaries of teachers and health personnel). Nevertheless, the current low level of investment in most LDCs highlighted the need for increased financing of investment in order to accelerate their economic growth. The two major sources of investment financing were domestic (public and private) and foreign savings (in the form of ODA and inflow of private external capital). It was necessary to tap both of those sources to bring about any noticeable increase in the investment level in LDCs. Some recommendations with respect to both of those sources are presented below.

(a) Domestic savings

Action by national governments

45. National governments of the LDCs should undertake measures to increase government savings. Efficiency of expenditure should be increased through better intrasectoral management and redefinition of intersectoral priorities so as to devote greater resources to sectors which yielded higher social returns. National governments needed to demonstrate stronger political will to widen the tax base and to enforce the tax regimes more effectively. The efficiency of tax administration should be enhanced through appropriate measures, including the use of information and communication technology.

46. Governments might review the provision of fiscal incentives and tax exemption or allowances and identify opportunities for increasing tax revenue through the revision of those measures.

47. Governments might also review the structure of subsidies and of fees and prices charged for publicly provided goods and services and make use of opportunities for increasing non-tax revenue.

48. State enterprises should be privatized, wherever feasible and desirable, in order to prevent a drain on government resources. Otherwise, the operational efficiency of public enterprises should be increased through such means as greater delegation and operational autonomy, improved motivation of personnel and other appropriate measures.

49. It was recognized that the determinants of private saving were complex. Those included such factors as the level and growth of per capita income, macroeconomic conditions, the yields

on and the diversity of saving instruments, outreach of financial institutions as well as cultural factors. Nevertheless, there was certain action that governments could take to potentially increase the level of savings and create opportunities for intermediation from savers to investors.

50. Positive rates of return on savings should be ensured, particularly through the establishment of low inflation regimes. That would ensure that the nominal rates of interest were not too high to discourage private investment.

51. The viability of and confidence in financial institutions should be maintained or strengthened, particularly through the implementation of effective prudential regulation.

52. Efforts to enhance the outreach of formal financial institutions should be complemented by informal financial institutions. In that context, particular mention was made of the possibility of using microfinance schemes as a conduit for mobilizing savings. There was also need for an appropriate regulatory and policy framework to ensure the viability of microcredit schemes, while protecting the interests of the depositors.

53. The scope of expanding the coverage of insurance and provident fund schemes and using them as a channel for mobilizing private savings should be explored.

54. Wherever feasible, the potential for capital market institutions should be exploited.

55. It was observed that the mobilization of domestic resources in LDCs was partly dependent on tax revenue generated by import duties. The liberalization of trade regimes should take that aspect into account.

Action by the international community

56. The international community could help LDCs in mobilizing domestic savings by providing need-based, country-specific technical assistance, facilitating access to good practices in other countries and promoting exchange of experience, particularly among neighbouring countries.

(b) Official development assistance

Action at the national level

57. While the perception of LDCs with respect to increasing the level of ODA was obviously valid, emphasis was also placed on enhancing the efficiency of utilization of such assistance. From that perspective, governments of LDCs could implement a number of actions, including strengthening domestic capability for planning and project implementation, improving monitoring and evaluation, ensuring better institutional coordination among various government agencies involved in negotiating and utilizing ODA, and achieving greater decentralization of project implementation where feasible and desirable.

Action by the international community

58. Many actions were needed by the international community in the area of ODA, some of which were noted below.

59. The international community was urged to fulfil the ODA targets embodied in the Programme of Action for the Least Developed Countries for the 1990s.

60. Dialogue should be promoted to establish coherence among donors in such areas as ODA practices and trade regimes of the donor countries. Furthermore, efforts should be made to ensure recipient country ownership of policy conditionalities as well as projects financed from ODA. Such ownership should be based on genuine dialogue and a spirit of partnership between the donors and the recipient countries.

61. The international community should continue dialogue with LDCs on such issues as grant component, tied purchase, and financing of recurrent costs, and to bring about improvements in those areas.

62. The rationale for ODA and debt relief was rooted in the structural constraints of LDCs. Therefore, despite the fact that most of those countries in Asia and the Pacific had succeeded in achieving higher growth rates than elsewhere and in keeping debt-servicing ratios relatively low, the level of ODA and their eligibility for debt relief should be considered.

(c) Foreign direct investment

Action at the national level

63. It was noted that, despite the liberalization of foreign direct investment (FDI) policy regimes, FDI flows into most LDCs remained minuscule. There were many determinants of locational attractiveness to induce FDI. Those included the size and growth of the domestic market, political and economic stability, the overall economic policy framework, FDI-related policies, resource endowments, infrastructure, labour skill and work discipline. LDCs should examine in depth the various elements that determined locational advantages and introduce measures to effect improvements in areas amenable to policy action.

64. LDCs might engage in focused promotion to attract FDI in areas where they possessed comparative advantage.

65. LDCs should simplify administrative procedures and improve the efficiency of institutions which impinged on the establishment and operation of enterprises by foreign investors.

66. LDCs might also negotiate mutually beneficial investment and avoidance of double taxation agreements with the home countries of foreign investors.

Action by the international community

67. The international community could help to facilitate the flow of information on the opportunities for profitable investments in LDCs. In many instances, potential investors did not possess adequate information on such opportunities.

68. A number of home countries as well as multilateral institutions provided some insurance coverage for foreign investors. The scope of such insurance coverage might be expanded with special provisions for investment in LDCs. The international community could also contribute to the increased flow of FDI in those countries through such measures as co-financing, enhanced market access for export from such countries and strengthening infrastructure facilities in them.

69. Regional cooperation could help increase FDI flows in LDCs.

70. In order to increase the developmental impact of FDI, the international community should provide technical assistance to strengthen the negotiating capacity of LDCs.

B. Special problems of small island least developed countries

71. The Special Body noted that small island developing states were extremely vulnerable to external shocks and natural disasters, including climatic change and sea-level rise. In recognizing the particular vulnerabilities of those LDCs, special bilateral and multilateral support measures should be provided to those countries to enable them to cope with structural handicaps.

C. Monitoring and implementation

72. The Special Body observed that there should be a mechanism for monitoring the implementation of a new programme of action that was likely to be adopted at the Third United Nations Conference on the Least Developed Countries to be held in Brussels in May 2001. The regional commissions should be closely involved in that exercise and develop a programme of work in support of the least developed countries in line with the new programme of action.

II. PROCEEDINGS OF THE SPECIAL BODY AT ITS FIFTH SESSION

A. Implementation of the Programme of Action for the Least Developed Countries for the 1990s

73. The Special Body noted that some of the LDCs in the Asian and Pacific region had achieved considerable progress in terms of certain economic and social indicators over the past decade. Nevertheless, those countries as a group faced severe structural constraints in accelerating their development and might become further marginalized because of the quickening pace of globalization and the increasing digital divide between developed and developing countries. It was, therefore, imperative that the international community pay much greater attention to the development needs of LDCs. In that context, the Special Body also expressed the view that the recommendations which would form the regional input into the next programme of action for LDCs should be realistic and implementable and enjoy wide support from all groups of countries. It was further observed that the LDCs themselves should pursue growth-oriented development strategies that also paid adequate attention to social development.

74. The Special Body requested the secretariat to take note of the revisions in some statistical indicators reported in document E/ESCAP/SB/LDC(5)/1 proposed by the representatives of Cambodia, the Lao People's Democratic Republic and Maldives. Those amendments were noted by the secretariat.

B. Implementation of the programme of work, 2000-2001

75. During the deliberations on item 5 of the agenda, the Special Body had before it document E/ESCAP/SB/LDC(5)/2, "Implementation of the programme of work, 2000-2001". The Special Body noted with appreciation the various activities implemented by the secretariat for the least developed and landlocked developing countries under the programme of work for 2000-2001 and endorsed the draft programme of work for 2002-2003. It recognized the important role of the regional commissions in undertaking activities for the benefit of LDCs and urged the secretariat to develop and implement its programme of work in line with the new programme of action expected to be adopted at the Third United Nations Conference on the Least Developed Countries.

76. The Special Body emphasized that the programme of work should continue to focus on human resources development, and that assistance to least developed and landlocked developing countries should take into consideration the real needs of those countries, their absorptive capacity and their distinctive characteristics. The Special Body welcomed offers of assistance from other developing countries based on appropriate technology aimed at human resources development. In view of the usefulness of such technical cooperation among developing countries (TCDC) as a means of South-South cooperation, the Special Body observed that activities implemented through those TCDC modalities should have been reflected in the secretariat document. In view of the limited resources available for the implementation of the programme of work, the Special Body suggested that ESCAP should seek closer collaboration with the Asian Development Bank as well as the private sector in the implementation of its activities.

C. Other matters

77. The Special Body took note of the communiqué of the first Ministerial Meeting of the Group of Landlocked Developing Countries, which had been held in New York on 18 September 2000. It expressed its support for the convening of a ministerial meeting on transit transport issues in 2003 as that would provide an important opportunity to chart and adopt a collective action programme to further develop the transit transport systems of landlocked and transit countries so as to enable them to participate in the international trading system.

78. Noting that the current session of the Special Body was the last in which Mr Faisal Ahmed Choudhury, head of the delegation of Bangladesh, would participate, the Special Body expressed appreciation of his contribution to its deliberations.

79. The Special Body took note of the impending retirement of Mr Azizul Islam, Director of the Development Research and Policy Analysis Division of ESCAP. It commended the dedication with which he had made efforts to further the cause of LDCs in both ESCAP and other international forums, and wished him a happy retirement.

III. ORGANIZATION OF THE SESSION

A. Opening of the session

80. The fifth session of the Special Body on Least Developed and Landlocked Developing Countries was held in Bangkok on 20 and 21 February 2001.

81. In his opening address, the Executive Secretary observed that the economic and social progress in least developed countries of the region had been rather modest during the past decade. Moreover, the progress achieved so far rested on the fragile foundations of a narrow economic base, an undiversified export structure and a high degree of vulnerability to external shocks. He drew the attention of the Special Body to a few areas which deserved urgent attention. Universal access to basic education and health, and equal opportunities, were prerequisites for fostering development. Improved infrastructure was another key input, as it lowered the cost of production of goods and services, facilitated the flow of information and improved access to social services. Further, to complement the trade liberalization and export promotion initiatives of LDCs, international support was needed for export diversification, the introduction of technology and strengthened supply capacity. Finally, financing for development from official and private sources was essential in order to fill the gaps between investment needs and domestic savings, government expenditure and revenue, and import requirements and export receipts. The Executive Secretary requested the representatives to focus on the recommendations, which could serve as the regional input to the Third United Nations Conference on the Least Developed Countries. The Executive Secretary assured the Special Body that he would do his utmost to ensure that the regional input received the attention it deserved at the Conference.

B. Attendance

82. The session was attended by representatives of the following members and associate members of the Commission: Armenia, Bangladesh, Bhutan, Cambodia, China, Democratic People's Republic of Korea, India, Indonesia, Islamic Republic of Iran, Japan, Kazakhstan, Kiribati, Lao People's Democratic Republic, Maldives, Nepal, Netherlands, Pakistan, Republic of Korea, Russian Federation, Samoa, Solomon Islands, Thailand, Tuvalu, United States of America and Vanuatu.

83. Representatives of the United Nations Conference on Trade and Development, United Nations Development Programme, International Labour Organization, Food and Agriculture Organization of the United Nations and Asian Development Bank also attended the session.

C. Election of officers

84. The Special Body elected HE Dasho Ugyen Tshering (Bhutan), Chairperson, Mr Souphanh Keomixay (Lao People's Democratic Republic), Vice-Chairperson, and Ms Noumea Simi (Samoa), Rapporteur.

D. Agenda

85. The Special Body adopted the following agenda:

1. Opening of the session.

2. Election of officers.
3. Adoption of the agenda.
4. Implementation of the Programme of Action for the Least Developed Countries for the 1990s.
5. Implementation of the programme of work, 2000-2001.
6. Other matters.
7. Adoption of the report.

E. Adoption of the report

86. The Special Body adopted its report on 21 February 2001.